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the American section, and of Honorable Charles A. McGrath, Henry A. Powell, and Sir William Hearst, constituting the Canadian section, occupies a high place in the affections of those whose personal interests have been affected by their decisions.

The treaty contains other important provisions, at least one of which is indeed remarkable. Article II of the treaty provides that any future interference with the waters of streams which cross the boundary or flow into boundary waters would give an injured party a legal remedy in the courts of the offending nation, thus modifying, as far as the United States and Canada are concerned, in the interests of justice and fair play, Judge Marshall's decision and granting to an injured alien a remedy never theretofore recognized.

In the spring of 1914 very appropriate ceremonies were held in Washington celebrating the hundredth anniversary of peace between the United States and Great Britain. These ceremonies were of great value. They crystallized the feeling of thinking Americans and they furnished a means of contact between patriotic men of prominence of the two nations. They proved that, after all, the same aspirations and qualities found in Americans are likewise found in Canadians.

The International Joint Commission has done much to cement that peace into, it is hoped, permanent friendship.

INCREASING EVIDENCE THAT AMERICANS ARE USING A NEW INTERNATIONAL VISION

This article expresses the views of the National City Bank, of New York, the largest bank in the United States. It appeared in the bank's publication, *The Americas*, and has special significance because it is another illustration of the fact that the "hard-headed" perceive truths preached by the idealists.—THE EDITOR.

WITH THE SETTLEMENT of the question of the payment by Germany of a war indemnity, the world seems to have taken a long breath of encouragement and hope. Slight as may be the actual improvements of the past thirty days there can be no disputing the fact that a better feeling—the first requirement for a period of better times—is already in the air. Throughout Europe there appears to be a greater desire on the part of opposing economic groups to compose their differences, to co-operate in resuming production and to work together in starting the monumental task of repairing the loss of wealth occasioned by the war and the two and a half years of dislocation in industry since its close.

The United States, with problems radically different in most respects from the problems of the European countries, is too closely connected with them in an economic sense not to be intimately affected by every change in Europe's condition. Europe, at the same time, is too completely shorn of raw materials and capital resources not to feel acutely any condition of American industry, American money markets or American tariff legislation that affects the relations between this country and the other parts of the world. For this reason, the attitude of this country toward Europe dur-

ing the past three months is of particular importance both to us and to our European neighbors, and an examination of that attitude is likely to result in the conviction that in spite of differences of opinion in regard to the tariff, a very great enlightenment has been taking place concerning the part which the United States must hereafter play in the affairs and the commerce of the world.

The present depression in many American industries has such a clear relation to conditions and events entirely outside the United States that even the most jingoistic will now admit that the United States cannot be a self-contained economic unit, but must be subject to the same influences which determine prosperity or depression for Europe and the rest of the world. The discussions which have centered around the tariff have been of enormous value in apprising the great mass of the American people concerning the true status of our relation to the rest of the world, while plans and discussions now going on for a broader participation by this country in world commerce through foreign loans and export credits are contributing to this valuable and much needed educational process.

The daily press gives evidence from week to week of the increasing broadmindedness of the American attitude on these great questions, on the prompt and equitable solution of which the speed of world industrial recovery so largely depends. Bankers' conventions and gatherings of business men so far this summer have been remarkable for the grasp shown by dozens of speakers on problems of our economic situation in the new era now at hand. In almost every case these addresses have been directed to the patent fact that the United States has radically changed its economic relation to the rest of the world both as to the position of debtor and creditor and as to the necessity for finding markets for a large surplus production of manufactured goods. As a logical and necessary corollary of that change has come the necessity for a broader participation in the business and affairs of other countries, and it is in this last respect that the greatest benefits are to be expected. In other words, America's outlook no longer ends at the water's edge.

The situation was well expressed by Mr. John S. Drum, president of the American Bankers' Association, in an address he recently made before a meeting of the Pennsylvania Bankers' Association. After expressing the conviction that only by following the pre-war example of the European manufacturing countries can America build up and maintain a permanent foreign trade, Mr. Drum said:

"It is useless to grow commodities we cannot use or sell. Foreign nations which need our commodities have only one thing to sell to obtain money with which to buy our goods—that is, securities in their productive enterprises. And we, prominently the creditor nation of the world, are the one people who can invest in those productive enterprises of other nations and thus enable them to trade with us.

"It is what England and Holland and Belgium and France and all great trading nations of the old world have done in building up markets for their products.

Their foreign investments enabled foreign countries to produce more than before and therefore increased their ability to buy.

"None ever possessed the opportunity that is ours today. By foreign investment we may help them to restore their wealth destroyed in war and to reduce their debts, but at the same time we shall help ourselves even more by restoring their ability to buy our goods and our own ability to dispose of our excess products."

No less welcome than the awakening of the financial community to the necessity of practical measures for co-operating in the rehabilitation of Europe has been the enlightened attitude of the leading newspapers and other organs of public opinion throughout the country. Even in the agricultural districts, where the unprecedented drop in the prices of farm products put the farming population at an obvious and unmerited disadvantage with the other producing elements of the country and where there has been to some extent a hysterical demand for legislative measures of dubious merit, the leading newspapers have adopted a broadminded policy of considering the greatest good for the greatest number, the result of which has been that much valuable economic truth has been made plain to those who believe that the mere passage of a legislative enactment can change or modify an underlying economic situation.

Most reassuring of all has been the attitude of great metropolitan newspapers which in past years were the heavy artillery of the high protective tariff advocates. In nearly every case these great journals have perceived clearly that the altered relation of the United States to the rest of the world makes necessary a radically different national policy, a policy that will make possible the active competition of American goods in all world markets with the manufactured goods of the countries with low-cost production systems.

A splendid example of the changed attitude just mentioned is shown in the editorial columns of the *New York Herald* for June 1. After speaking of the great and valuable part played by the American tariff system during the decades when the United States was a debtor nation and when our exports consisted almost entirely of the products of our farms and the raw materials of commerce, the *Herald* clearly expresses the changed state of affairs now confronting us in the following concise and easily understood words:

"Nevertheless, these facts loom big today for our national consideration: We have expanded our economic equipment so far beyond our own needs, we have speeded up our productive energies to so swift a pace, we have builded our surplus-creating engine to so high a power that we must sell of our excess crops and goods abroad in a tonnage expressed in fleets of ships and in value counted in billions of dollars, or in large part both our industrial plants and our merchant ships must rot, our labor be jobless and the very yield of our fruitful soil be left to wither in the fields.

"In front of a prohibitive tariff wall the foreigner that cannot sell to us cannot buy from us. Since we have the great bulk of the world's free gold, he must buy our goods with his goods, he must buy our very

gold with his goods, or he must seek other markets than ours in which to buy as he may sell.

"Behind a protective tariff wall the American manufacturer, the American railroad, even the American farmer cannot do business with our own wage earners and industries that may be flat on their backs because they have lost the foreign markets where they formerly sold what they produced.

"Shut out all the foreign agricultural products that have been coming here to pay for our exported manufactured products, and still the American farmer must meet those foreign agricultural products in a more intense competition than ever. Our wheat growers raise three hundred million, sometimes four hundred million bushels of wheat a year more than this country can consume. The wheat of Canada or of Argentina that can no longer come to sell and pay for what Canada or Argentina buys here is going to sell somewhere. It may no longer meet the American farmers' wheat in Chicago or New York. It will meet it in England, France, and Germany. Driven into the last ditch on foreign soil, it will meet it there with a desperate, cut-throat competition.

"The American farmer, the American manufacturer, the American wage earner is entitled to the protection, inherent in the American tariff system, which serves reasonably to equalize differences of labor costs at home and abroad while stimulating competitive endeavor by not becoming so high as to be prohibitive. But the inordinate tariff which at one and the same time kills markets abroad for our vast surplus products and hamstring the purchasing power of our markets at home is going to let American manufacturer, wage earner, farmer, and everybody down with a heavy thud."

In view of the stupendous size of the task of rehabilitating the industries of Europe, it is most encouraging to see the manifest desire exhibited by President Harding and the members of his Cabinet to exert their efforts in conjunction with the business men of the United States. The President has from the first of his administration shown himself keenly alive to the necessity of promoting active measures for getting the wheels of production again in motion everywhere in the world, and the assistance which he can give to the efforts of American bankers, manufacturers and traders in this connection is beyond calculation.

The President feels, as nearly all business men feel, that the measures of governmental control exercised ever since the entrance of this country into the war have outlived their usefulness and must be ended. He believes that governmental co-operation in the financing and pushing of export trade, coupled with a clear understanding of the fact that if we will not buy neither can we sell, will have happier results than the intolerable restrictions that seem to be inseparable from war regulations. In his efforts along this line he will have the whole-hearted assistance of every banker, manufacturer, and trader in the country.

There are few who will dispute the statement that every business ought to stand on its own feet. In domestic trade the field is a fair and free one and any industry that cannot justify its own existence by results

has no economic justification for seeking special favors. But in the field of international trade this is not completely true. The world is too far from its normal axis to expect individual traders to stand on their own feet in foreign markets to as great an extent as if they were selling or buying at home. It is this phase of the situation which is receiving the attention of the President and his advisers and it is to the promotion of all legitimate foreign trade activities that the influence and assistance of our governmental machinery is to be thrown.

There are a number of ways in which the government has already taken action for the relief of foreign trade, one of which is the lengthening to six months of the eligible bankers' acceptances which Federal reserve banks are now permitted to purchase. This doubling of the former period opens to the foreign trade of the country a great reservoir of elastic and quickly obtainable credit, and while there has been every necessity for measures leading to a reduction of inflation in the volume of Federal reserve currency, it may well be doubted whether the refusal of this benefit to the country's foreign trade would not have been far more harmful than any slight prolonging of the inflationary period which may result from this loosening of the restrictions surrounding eligible acceptances.

The statements which have been made in various Washington dispatches concerning the criticisms said to have been made of the foreign loans offered in the American market on the ground that no obligation was imposed for the spending of the proceeds in the United States are evidently founded on a lack of knowledge concerning present world finances. It is the wish of everybody that in these days of scarcity of investment capital all the resources of our investment market should be used in ways that will benefit American enterprise. But that is exactly what these foreign loans are doing, and doing to a much greater extent than the critics of the loans are aware.

Under present world conditions, the loans that have been offered here can scarcely be used in any way except to purchase supplies here for shipment abroad. If the capital itself were being exported the fact would be apparent through the figures of gold shipments, but the fact is that no such gold shipments are being made. On the contrary, gold continues to flow into the United States on an unprecedented scale, so much so that its presence here is a matter of doubtful benefit to our banking system and our national credit fabric. It is not any advantage to foreign countries to float loans in this market for the purpose of securing gold to ship elsewhere, as is clearly shown by the fact that all parts of the world are now paying shipping and insurance charges on actual stocks of gold for shipments to this country to be exchanged for our goods.

Our efforts in behalf of foreign countries in co-operating with them for the renewal of industrial activity must come through two principal sources, the extension of credit to foreign purchasers of our products and the purchase here of foreign securities. There is plenty of room for all the activities that are likely to take place in either direction, and all the assistance which the national government can give will be needed to make the

effort equal to the emergency. The present total of floating and unliquidated indebtedness on merchandise account is so great that the resources of individual exporters are not capable of further expansion at this time, while commercial banks are unwilling to tie up their funds in credit operations requiring longer loans than sound banking practice allows. The remedy is through approach to the general investment resources of the country, which can safely and profitably handle the negotiable instruments incidental to the financing of foreign trade. This can be accomplished through the sale of foreign bond issues to the investors of the country and through the machinery of the Edge law banks, which are functioning satisfactorily so far, but whose volume of business is far below that which the situation affords.

It is clear that the machinery has been constructed by means of which American resources can be made available to this all-important work. It is also clear that after two years of more or less indistinct understanding on the part of the general public as to America's proper place in this great work of world rehabilitation we have now reached a point where all sensible proposals for betterment are receiving intelligent and sympathetic consideration. All that now remains is to get everybody to pull together so that the world may again start on its busy and happy road to a better and more comfortable era.

LIMITATIONS ON THE FUNCTIONS OF INTERNATIONAL COURTS

By EDWIN M. BORCHARD

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Members of the American Peace Society, devoted to the cause of justice between States, will be interested in this expression of the difficulties to be overcome before the nations can have their Supreme Court for the adjudication of their justiciable differences. This address, with its views contrary to the teachings of the American Peace Society, was delivered at the meeting of the American Academy of Political and Social Science in Philadelphia, May 14, 1921.—THE EDITOR.

MUCH of the discussion on the desirability and feasibility of an international court has been based upon the premise that a court would furnish a substitute for war; that nations wanted a court for the settlement of their disputes, and that the actual establishment of a court would persuade nations to submit their differences for adjudication. The topic on the program of this afternoon's session might indicate a belief that the debatable or open questions concern the functions of a court already created and the means necessary to carry its awards into execution. It will be my necessary, but ungrateful, duty to dispel the illusions and the misconceptions of fact involved in the assumptions of the major premise above mentioned.

No one would discourage the judicial settlement of disputes, and the desirability of such adjustment has been generally admitted by thinking men. The devoted efforts of certain societies and organizations for the establishment of an international court, the promise of certain statesmen to build a new world order upon the